16 November 2011

MELROSE PLC

INTERIM MANAGEMENT STATEMENT

Melrose PLC today issues the following Interim Management Statement for the period from 1 July 2011 to 15 November 2011.

OVERVIEW

Current trading remains encouraging and is in line with management expectations.

The strong growth in revenue and operating profit reported in the first half of the year has continued through the third quarter of the year. Continuing Group sales in the third quarter were 12 per cent higher than in the same period in 2010 at constant currency and the Group order intake was 14 per cent higher than last year; consequently the Group will enter 2012 with strong order books. Group sales are increasing in each of Melrose's main operating regions of Europe, North America and Asia. Although growth in Europe is slower, this is being offset by continued good growth in North America and the Rest of the World.

The sale of Dynacast for an enterprise value of £377 million[1] (US$607 million[2]) was announced on 20 July 2011, and this was followed by a return of capital to shareholders of £373 million, equivalent to 75 pence per ordinary share. This is in line with Melrose's strategy of 'buy, improve, sell' and means that, since its inception in 2003, Melrose has delivered to shareholders an increase in equity value of well over £1 billion[3].

ENERGY

This division continues to perform well, particularly Brush Turbogenerators, which is very well placed to benefit from the favourable dynamics in the global power generation market. Significant capital investment is now being made and it is most encouraging to see the associated productivity and efficiency gains starting to feed through.

The order intake for new build generators to the end of October is over 40 per cent higher than in the same period last year and it is encouraging that approximately 60 per cent of next year's budgeted sales are already in the order book. At this stage this level of order book is a record for Brush Turbogenerators.

Following the successful integration of Brush Transformers into Brush Turbogenerators in 2010, the decision has been taken to absorb Hawker Siddeley Switchgear ("HSS") into Brush Turbogenerators. The customer overlap and efficiency gains should benefit the enlarged group over the next few years.

Marelli continues to make good progress. Management are encouraged at the development of the new Malaysian factory which will bring a source of lower cost production to Marelli. As signalled in the Interim Report, sales of the higher margin marine business continue to improve, which should place Marelli well for next year.

LIFTING

The healthy increases in sales and operating profit reported in the first half of the year for this division have continued through the third quarter. Order intake for the third quarter was 19 per cent higher than the equivalent quarter in 2010, which is similar to the growth seen in the first half of 2011 and gives confidence for a good outcome for the year.

Crosby has continued its excellent start to the year. Trading conditions remain positive in its core activities of oil & gas and mining, which have been supported by significant capital investment and by continuing market share gains in North America. Good progress continues to be made in the integration and streamlining of Crosby's manufacturing and sales operations in Europe, whilst at the same time it continues to build its presence and increase its sales in developing markets.

Bridon continues to build on the steady progress reported in the first half of the year. Conditions in the onshore oil & gas and mining markets remain positive, while in the offshore oil & gas sector Bridon has recently won some good orders, providing early signs of a much-awaited pickup in this market. Bridon will be particularly well placed to benefit from this when its new facility on the deep-water port in Newcastle becomes operational towards the end of 2012.

For the ten months ended 31 October 2011 Bridon had an order intake of approximately £215 million, 15 per cent higher than the intake for the same period last year, which gives confidence for both the year end and the start of 2012.

OTHER INDUSTRIAL

The sales growth, reported at the half year, has continued into the second half of the year at approximately the same rate.

Notwithstanding the progress that Truth continues to make on many fronts, including market share gains, new products and productivity benefits from capital investment, the ongoing weakness in both the new home build and remodelling markets persists; and until the excess inventories of unsold housing stock have been largely removed from the system, it will be difficult for Truth to show improved results. However, Truth continues to make double digit operating profit margins, reflecting its strong market position, and is very well positioned to see profits increase sharply when its markets recover.

MPC continues to perform well and to benefit from the demands on its two factories to supply product for the highly successful new Range Rover Evoque, which is being made at Halewood.

Harris continues to perform satisfactorily as the benefits of its programme to focus on new products bears fruit.

DEBT

Cash generation remains robust and the Group net debt is in line with management expectations. As disclosed in the Interim Report the proforma leverage (Group net debt/EBITDA[4]) at 30 June 2011, after adjusting for the subsequent sale of Dynacast and the return of capital, was 1.7x. Leverage at the end of October was consistent with this. Working capital efficiencies remain in line with those reported in the Interim Report and significant capital investment is being made in 2011 and this is expected to continue into 2012.

OUTLOOK

Although the economic situation has deteriorated over the past three months and remains highly uncertain, trading in our businesses remains broadly unaffected. We are not in a position to predict economic developments and in particular the effects of the current issues in the Eurozone. However, in Brush Turbogenerators, Bridon and Crosby, which account for the majority of the Group, Melrose owns businesses with leading market positions operating in a number of different geographical regions in the world in sectors such as power generation, oil & gas and mining, which have favourable end-user demand prospects.

As we enter the final months of 2011, the visibility afforded by our order books, supported by continuing efficiency gains and a robust programme of capital investment, gives us confidence of a good outcome for the year and we look forward to a further improvement in the Group's performance in 2012.

During the summer, we made an approach for Charter International plc which attracted a higher offer from a third party. We subsequently withdrew on the basis that we maintain a keen discipline with regard to the price we are prepared to pay for acquisitions. We believe that the current economic environment is likely to present interesting opportunities which meet our strict acquisition criteria.

-ends-

Enquiries:

M:Communications
Nick Miles/Ann-marie Wilkinson/Andrew Benbow +44 (0)20 7920 2330

[1] Based on £1 = US$1.61 exchange rate

[2] Enterprise value of US$607 million comprises consideration of US$590 million in cash payable and the transfer of US$17 million net pension liabilities. Dynacast pension schemes had assets of US$13 million and liabilities of US$30 million

[3] Taking account of all equity raised from shareholders less aggregated special returns of capital plus ordinary dividends (including the £373 million return post disposal of Dynacast)

[4] Operating profit before exceptional items, depreciation and amortisation